

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 94-599-C - ORDER NO. 95-153✓  
JANUARY 27, 1995

IN RE: Application of Communication TeleSystems )  
International d/b/a CTS Telcom for a ) ORDER  
Certificate of Public Convenience and ) APPROVING  
Necessity to Provide Resold Intrastate ) CERTIFICATE  
Interexchange Telecommunications Services )  
within the State of South Carolina. )

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of Communications TeleSystems International d/b/a CTS Telcom (hereafter referred to as CTS or the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. CTS's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1992) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed the Company to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of the Company's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceedings. The Company complied with this instruction and provided the Commission

with proof of publication of the Notice of Filing. A Petition to Intervene was filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

Discussions between CTS and the Consumer Advocate led CTS to amend its Application by executing and filing certain changes to its Application and proposed tariff which clarified certain points in CTS's Application and proposed tariff. Subsequently, the Consumer Advocate informed the Commission that it was satisfied that CTS's offering was consistent with other resellers approved by the Commission and that the Consumer Advocate would not participate in the scheduled hearing in this Docket.

A public hearing was commenced on January 19, 1995, at 11:00 A.M., in the Commission's hearing room. The Honorable Guy Butler, Vice Chairman, presided. Faye A. Flowers, Esquire, appeared on behalf of CTS. Florence P. Belser, Staff Counsel, represented the Commission Staff.

In support of its Application, CTS presented the testimony of Eric G. Lipoff, Regulatory Counsel for CTS. Mr. Lipoff explained CTS's request for authority to provide interexchange telecommunications services in South Carolina as a non-facilities based reseller. Mr. Lipoff explained the Company's services, billing, customer services, and marketing procedures. Mr. Lipoff also discussed CTS's debit card offering.

According to Mr. Lipoff, CTS possesses the technical, financial, and managerial abilities to provide its services in South Carolina. Mr. Lipoff also testified that CTS would make

certain corrections to its tariff to comply with the rules and regulations of this Commission.

After full consideration of the applicable law, the Company's Amended Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

#### FINDINGS OF FACT

1. CTS is incorporated under the laws of the State of California, and is licensed to do business as a foreign corporation in the State of South Carolina by the Secretary of State.

2. CTS operates as a non-facilities based reseller of interexchange services and wishes to do so in South Carolina.

3. CTS has the experience, capability, and financial resources to provide the services as described in its Application.

#### CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to CTS to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for CTS for its

resale services which includes only maximum rate levels for each tariff charge. For intrastate interLATA "0+" collect and calling card calls, CTS may not impose a fixed operator service charge more than the intrastate charges then currently approved for AT&T Communications, and for the usage portion of the call, CTS may not charge more than the intrastate rates charged by AT&T Communications at the time such call is completed. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. CTS shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. CTS shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of CTS's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with

notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1992).

4. CTS shall file its revised tariff and an accompanying price list within thirty (30) days of the date of this Order. The revised tariff shall be consistent with the Commission's Rules and Regulations and shall contain tariff amendments agreed upon with the Consumer Advocate and Staff. Further, the tariff shall be filed in a loose-leaf binder.

5. CTS is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to CTS's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if they so desire.

7. CTS shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If CTS changes underlying carriers, it shall notify the Commission in writing.

8. With regard to the completion of any intraLATA calls, CTS shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993).

9. CTS should be allowed to incorporate in its tariff a surcharge for operator-assisted and calling card calls not to exceed \$1.00 for calls originated at hotels and motels and at

customer-owned pay telephones only if the property owners have not added a surcharge already. That is, the Company may not impose an additional surcharge to calls originating at hotels and motels and customer-owned pay telephones if such a surcharge has already been imposed by the property owners. If such a charge is applied, however, it should be paid in its entirety to the customer by the Company. Further, if the surcharge is applied, the user should be notified of imposition of the surcharge. This notification should be included in the information pieces, such as tent cards or pay telephone stickers, identifying the Company as the operator service provider for pay telephone and guest phones.

10. CTS is required to provide "tent" cards to hotels and motels for placement next to guest telephone and stickers to customer-owned pay telephones identifying it as the provider of operator service for intrastate interLATA calls. CTS is required to brand all calls identifying itself as the carrier for the motel or hotel. The information pieces shall be consistent with the format approved by the Commission in Order No. 93-811, issued in Docket No. 92-557-C.

11. For the provision of operator services, CTS shall comply with the Operator Service Provider Guidelines approved in Order No. 93-534, issued in Docket No. 93-026-C.

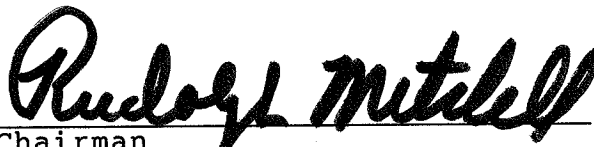
12. With regard to CTS's calling card (debit card), the Commission shall require CTS to post a bond prior to offering its debit card. Due to the nature of the service proposed by CTS where a subscriber must pay for services before the services are

rendered, this Commission believes that a bond is necessary for the protection of the subscribers in South Carolina until such time as the Company has operated in this State and has had the opportunity to demonstrate its stability. Therefore, the Commission requires as a condition precedent to offering a debit card that CTS post a bond with the Commission by delivering to the Commission Certificates of Deposit, in the amount of Five Thousand (\$5000.00) Dollars, and drawn in the name of the Public Service Commission of South Carolina. The Certificates of Deposit shall be drawn on federal or state chartered banks or savings and loan associations which maintain an office in this State and whose accounts are insured by either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. After twelve (12) months from the date of posting the bond, the Commission will review the Company's financial reports and operations in this State and will reassess the requirement of CTS maintaining a bond.

13. CTS shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

14. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)



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ATTACHMENT A

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS  
FOR INTEREXCHANGE COMPANIES AND AOS'S

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS\* FOR 12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.

\*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION, MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER DEPOSITS.

- (4) PARENT'S CAPITAL STRUCTURE\* AT DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.

\*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3 ABOVE).